

**REPORT ON EXAMINATION AS TO THE CONDITION OF
NEW JERSEY TITLE INSURANCE COMPANY
PARSIPPANY, NEW JERSEY 07054**

AT DECEMBER 31, 2008

**NAIC COMPANY CODE 51187
NAIC GROUP CODE 0000**

FILED

June 18, 2010

Commissioner
Department of Banking & Insurance

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CHRIS CHRISTIE
Governor



THOMAS B. CONSIDINE
Commissioner

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION

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May 10, 2010

Honorable Thomas B. Considine
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the provisions of N.J.S.A. 17:23-22, a financial condition examination has been made of the assets and liabilities, methods of conducting business and all other affairs of the:

NEW JERSEY TITLE INSURANCE COMPANY
400 LANIDEX PLAZA
PARSIPPANY, NJ 07054
N.A.I.C. COMPANY CODE 51187
EXAMINATION WARRANT P&C-14

a domestic title insurance company authorized to transact business in the State of New Jersey, and hereafter referred to in this report as "NJ TIC," "New Jersey Title," or "Company."

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "Department") pursuant to the authority granted by Section 17:23-22 of the New Jersey Annotated Revised Statutes.

The examination covered the five-year period from December 31, 2003, the date of the last examination, through December 31, 2008, and included material transactions and/or significant events occurring subsequent to the examination date. During this five-year period, the Company's assets increased \$3,717,638 from \$7,996,234 to \$11,713,872; liabilities increased \$3,437,200 from \$3,236,789 to \$6,673,989 and total surplus increased \$280,438 from \$4,759,445 to \$5,039,883.

The conduct of the examination was governed by the procedures outlined in the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook ("NAIC Handbook") and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards. In determining emphasis to be placed on specific accounts, consideration was given to the Company's accounting methods and system of internal control, the nature and size of each account, its relative importance to solvency and the annual audit work performed by the Company's certified public accountants for the period under examination.

Based upon examination review, no accounts were determined to require special emphasis. The following accounts were assigned standard emphasis as defined in the NJDOBI Field Examination Handbook:

- Bonds, Cash and Short-Term Investments
- Investment Income Due and Accrued
- Agents' Balances or Uncollected Premiums
- Receivables from Parent, Subsidiaries, and Affiliates
- Premiums and Annuity Considerations
- Known Claims and Statutory Premium Reserve
- Reinsurance
- Title Plant

The remaining balance sheet accounts were assigned either reduced emphasis or analytical review status. Additional areas reviewed were in part as follows:

- Company History
- Management and Control
- Holding Company System
- Insurance Products and Related Services
- Fidelity Bond and Other Insurance Coverages
- Current Federal Income Taxes
- Taxes, Licenses and Fees and Other Expenses
- Electronic Data Processing Equipment
- Accounts and Records
- Continuity of Operations

This examination report is presented using the alternate format in accordance with the NAIC Handbook. This report will address significant balance sheet accounts and, if necessary, comments on those accounts which involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

The following is a summary of the Company's response to the recommendations of the previous examination report dated as of December 31, 2003:

I. Company History

1. It was recommended that the Company file any amendments to the Certificate of Incorporation with the Department. This includes the amendment initiated by the Company to change the agent upon whom process may be served.

Examination Review: The Company complied with this recommendation.

II. Management & Control

2. Corporate Records. It was recommended that the Company file amended by-laws with the Department.

Examination Review: The Company complied with this recommendation.

3. Corporate Records (1996 Exam Finding). It was recommended in the *last three examination reports* that the minutes for each Board of Directors committee meeting be prepared and submitted so that obligations and duties are fully documented.

Examination Review: The Company complied with this recommendation.

4. Board Minutes. It was recommended that the minutes for the Annual Shareholders meeting be maintained on an annual basis.

Examination Review: The Company complied with this recommendation.

5. Board Composition. It was recommended that the Company have at least one-third members of each committee of the Board of Directors be persons who are outside directors in compliance with N.J.S.A. 17:27A-4d(3).

Examination Review: The Company complied with this recommendation.

6. Conflict of Interest (1999 Exam Finding). It was recommended in the *last two examination reports* that the Company ensure all of their officers, directors and key personnel sign their conflict of interest questionnaires on an annual basis in order to adhere with their company policy.

Examination Review: The Company complied with this recommendation.

III. Holding Company System

7. Affiliated Agreements. It was recommended that the Company submit a Form D to the Department for approval of future transactions involving intercompany agreements.

Examination Review: The Company complied with this recommendation.

IV. Accounts and Records

8. Disaster Recovery Plan. It was recommended that the Company improve the security of its computer system and develop a formal Disaster Recovery Plan.

Examination Review: Subsequent to the examination, the Company prepared a Business Continuity/Disaster Recovery plan. The plan was updated only once since its creation. The plan appears adequate for the purpose. No documentation was presented to support that a test or tests of this plan were conducted.

It is hereby recommended that the Company regularly update its Business Continuity/Disaster Recovery plan and that it conduct regular tests and keep records of the outcome of the tests.

V. Notes to Financial Statements

9. Bonds (1999 Exam Finding). It was recommended in the *last two examination reports* that the Company obtain written custodian agreements that contain the appropriate required provisions as per the NAIC guidelines.

Examination Review: The Company complied with this recommendation.

10. Cash and Short-Term Investments (1999 Exam Finding). It was recommended in the *last two examination reports* that the Company file escheat reports in accordance with "unclaimed Property UP-1" and N.J.S.A. 46:30B of "The Uniform Unclaimed Property Act (1981)."

Examination Review: The Company complied with this recommendation.

11. Cash and Short-Term Investments. It was recommended that the Company reclassify a U.S Treasury Note as a long-term investment.

Examination Review: The Company complied with this recommendation.

12. Cash and Short-Term Investments (1999 Exam Finding). It was recommended in the *last two examination reports* that the Company disclose more information on its trust funds in the "Notes to Financial Statements" section of the Annual Statement, in accordance with **Issue Paper No. 57** of the Statements of Statutory Accounting Principles.

Examination Review: The Company **did not comply** with this recommendation and the exception is again addressed in Note 2 under the 'Notes to the Financial Statements' section of this report.

13. Known Claims Reserves. It was recommended that the Company book all claim payments in a timely manner so that the Annual Statement accurately reflects total payment figures.

Examination Review: The Company complied with this recommendation.

14. Known Claim Reserves. It was recommended that the Company agree paid losses in the Schedule P-Part 1-Summary of the Annual Statement to the Operations and Investment Exhibit on page 10 of the Annual Statement.

Examination Review: The Company complied with this recommendation.

15. Other Expenses (1999 Exam Finding). It was recommended in the *last two examination reports* that the Company reclassify certain items under the respective liabilities in the Annual Statements.

Examination Review: The Company complied with this recommendation.

16. Taxes, Licenses, and Fees. It was recommended that certain items not falling under "Other Expenses" be reported under this liability.

Examination Review: The Company complied with this recommendation.

17. Taxes, Licenses, and Fees. It was recommended that the Company report an accrual for all taxes, licenses, and fees, including examination fees that may be unpaid at the end of year.

Examination Review: The Company *did not comply* with this recommendation and this matter is again covered in Note 5 under the caption '*Notes to the Financial Statements*.'

VI. Subsequent Events

18. Corporate Records. It was recommended that the Company discontinue the practice of combining the Board of Director minutes with the parent company.

Examination Review: The Company complied with this recommendation.

COMPANY HISTORY

General

The Company was incorporated under the original name "New Jersey Realty Title Insurance Company" on June 9, 1937. Business operations began on July 29, 1937, under a certificate of authority allowing the Company to engage in the business of insurance "against loss or damage on account of encumbrances upon or defects in titles to real property" as specified under subsection "h" of N.J.S.A. 17:17-1.

On June 30, 1993, the Company was purchased by *Edge Partners, LLC* (formerly NJT Holdings, Inc.) from the Resolution Trust Corporation, acting as a receiver for Colonial Federal Savings and Loan. In connection with this purchase, the Company filed an amended Certificate of Incorporation dated November 30, 1993, with the Commissioner of Banking and Insurance changing the name of the Corporation to "New Jersey Title Insurance Company" and its principal office to 35 Waterview Boulevard, Parsippany, New Jersey.

On October 2, 1998, NJTIC relocated to 120 Littleton Road, Parsippany, New Jersey, and again on January 17, 2005, to 400 Lanidex Plaza, Parsippany, New Jersey, the current official home address. It was noted that the Company mailed a letter dated January 15, 2005, to NJDOBI notifying the Department about this most recent change of address; however, no revisions were made to the Articles of Incorporation. It is therefore recommended that the Company execute a certificate of amendment and modify the Articles of Incorporation to reflect the new statutory address.

Capital Structure

The original Certificate of Incorporation authorized the Company to issue 250,000 shares at a par value of \$1.00 per share. An amended Certificate was approved by the Department on March 6, 1950, authorizing the issuance of 375,000 shares at a par value of \$1.00 per share. The Certificate was amended again on June 30, 1980, authorizing the issuance of 375,000 shares at a revised par value of \$1.33 1/3.

Surplus Debentures

The Company had fifty-five (55) surplus notes outstanding as of December 31, 2008, amounting to a total of \$5,500,000. These obligations are further discussed in Note 6 under the subject heading '*Capital and Surplus*' of the '*Notes to the Financial Statements*' section of this report.

New Ownership

On December 21, 2006, the Company was acquired by **CATIC Financial, Inc.** (hereafter "CATIC-Financial"), a parent holding company domiciled in Rocky Hill, Connecticut. CATIC-Financial is also the parent company of **Connecticut Attorneys Title Insurance Company** ("CATIC"), New England's largest domestic and only Bar-Related[®] (owned and operated by attorneys) title insurance underwriter. The interrelationships of these companies are further elaborated upon under the section title '*Holding Company System*.'

The name of the agent upon whom process may be served is Cynthia Borrelli, Esq. of Bressler, Amery, & Ross, P.C. located in Florham Park, New Jersey.

INSURANCE PRODUCTS AND RELATED SERVICES

Territory and Plan of Operation

The Company underwrites and issues title insurance policies on residential and commercial property, in addition to providing, to a lesser degree, escrow services and title searches. Marketing efforts are aimed at large firms and banks and other institutions dealing with commercial real estate transactions.

Beginning in 2000, in an attempt to increase market presence, the Company ceased its direct operations and instead concentrated on using non-affiliated agencies exclusively in the production of business. This is part of the Company's unique business philosophy of fostering growth through a mutually supportive and non-competitive sales environment. At December 31, 2008, approximately 250 independent agents were utilized in the generation of all NJTIC's title premiums. As a new member of the CATIC family of companies, NJTIC also aims to capitalize on that organization's trademark identity in the cultivation of positive relationships with attorney agents.

In addition to New Jersey, the Company is licensed to write business in the States of Pennsylvania and New York. However, the largest concentration of business was in New Jersey, which drew 90% of the premium volume as of December 31, 2008.

In the previous examination and culminating into the early part of the current examination period, the Company provided title processing, accounting and management services to **Transactional Title Agency, LLC**, (a wholly owned subsidiary of the prior parent company, i.e., under the old name "NJT Holdings, Inc."). This entity was liquidated in 2005.

The Company operates two facilities, the home office located in Parsippany, New Jersey and a sales office in Philadelphia, Pennsylvania. All accounting, policy issuance, claims and underwriting functions are handled through the main office, supported by a staff of twelve fulltime employees.

Policy Forms and Underwriting Practices

The Company is a member of the following rating and statistical reporting agencies:

New Jersey Land and Title Insurance Rating Bureau
 New Jersey Land Title Association
 American Land Title Association

The American Land Title Association ("ALTA") approved all policy forms used by the Company. The Company utilizes an underwriting manual that contains underwriting guidelines as approved by ALTA. The largest net aggregate amount insured in any one risk is \$3,000,000.

Advertising and Sales Material

During the examination period, the Company's limited advertising was aimed at real estate agents. All advertising was reviewed and deemed to be in compliance with N.J.S.A. 17:18-10.

Treatment of Policyholders

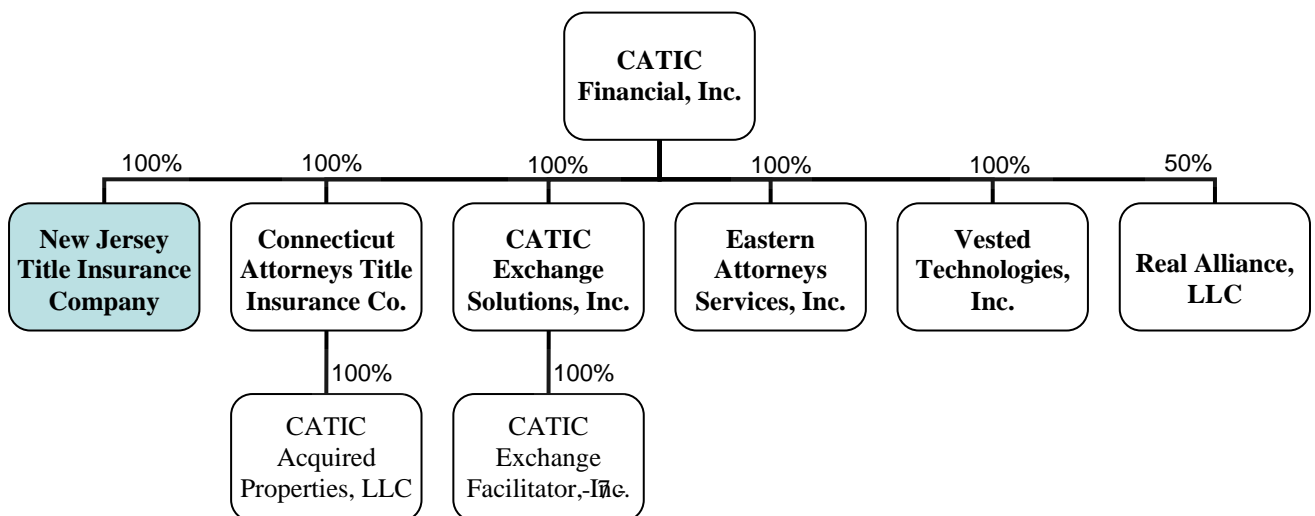
A complaint log was maintained at the Company's home office in compliance with N.J.S.A. 17:29B-4(10). Grievances filed with the Department were reviewed and found to be properly addressed.

HOLDING COMPANY SYSTEM

Affiliated Companies

The Company is a member of a holding company system as defined in N.J.S.A. 17:27A-1 and as such has registered with the Department by filing the required statements in compliance with *section 3* of the same Act. All authorized and outstanding stock shares of the Company are fully owned by CATIC-Financial, which in turn is owned by approximately 3,000 member attorneys.

The following chart illustrates the interrelationship of the particular companies within the holding company system as of December 31, 2008:



A summary of the operations of some of the members of the holding company system are outlined below:

Connecticut Attorneys Title Insurance Company ("CATIC") is the major operating subsidiary focused in providing title insurance on residential and commercial properties in the States of Connecticut, Massachusetts, Rhode Island, Vermont, and New Hampshire.

CATIC Exchange Solutions, Inc. ("CESI") was formed to provide services in connection with tax-deferred exchanges of like-kind property.

Eastern Attorneys Services, Inc. ("EAST") provides support services to attorneys and is a contract service provider for Vermont Attorneys Title Company.

CATIC Acquired Properties, LLC ("CAPL") was formed for the purpose of holding and disposing properties acquired in connection with claim settlements.

CATIC Exchange Facilitator, Inc. ("CEFI") is a service organization whose main function is to facilitate tax-deferred property exchanges.

Vested Technologies, Inc. ("VTI") and ***Real Alliances, LLC ("RAL")*** are inactive and in the process of liquidation.

All of these companies, with the exception of NJTIC, reside in and operate out of Rocky Hill, Connecticut.

Inter-Company Agreements

The Company entered into a tax allocation agreement with CATIC-Financial, dated February 22, 2007, which governs the filing of federal income, and in some cases, state and local taxes on a consolidated basis. The agreement stipulates that each company's tax burden would be computed in accordance with each entity's proportionate share of the tax liability on a separate return basis. The separate tax return liability is computed without regard to the carryover of any tax attribute that is not allowed in the computation of the consolidated tax liability.

The agreement was non-disapproved by the Department on January 15, 2009.

MANAGEMENT & CONTROL

Board of Directors

The business and property of the Company is managed and controlled by the Board of Directors (hereafter "the Board"), except as otherwise provided by the by-laws.

The by-laws stipulate that the Board is to consist of no less than three (3) nor more than eight (8) members, as determined from time to time by resolution of the Board. Members are elected on an annual basis by the shareholders of CATIC-Financial.

As of December 31, 2008, the Board consisted of six members three of which were outside directors. The duly elected members were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
Richard J. Patterson South Glastonbury, CT 06073	President CATIC-Financial

Allen J. Exelby Newark, DE 19711	C.E.O. New Jersey Title
Carl R. Samson Roseland, NJ 07068	President New Jersey Title
Leo P. Carroll Milford, CT 06460	Attorney Stevens, Carroll & Carveth
Robert L. Fisher, Jr. Goshen, CT 06756	Attorney Cramer & Anderson, LLP
George H. Jackson III Pomfret, CT 06259	Attorney Jackson, Harris, Burlingame & Hubert, LLC

The Board's composition meets the prerequisites of N.J.S.A. 17:27A-4d, paragraph 3, which requires that at least one-third of the membership (exclusive of the Audit Committee) be made up of outside directors only.

The by-laws of New Jersey Title has provisions for the establishment of committees as required under N.J.S.A. 17:27A-4d(4). The Company has satisfied this requirement through the ultimate controlling entity CATIC-Financial, which has appointed committees as per the stipulations of section 4d, paragraph 5.

The members of the committees serving at December 31, 2008, were as follows:

<u>Audit Committee</u>	<u>Corporate Governance</u>
Leo Carroll (Chair)	William Weber (Chair)
Charles Ebersol	Patricia Farrell
Leonard Jacobs	Richard Case
Patricia Farrell	Leo Carroll
William Weber	Thomas Murphy
Kay Parker Jex	Robert Berger
<u>Compensation Committee</u>	
George Jackson	
Robert Berger	
Patricia Farrell	

Officers

The by-laws stipulate that officers of the Company shall consist of a President, Chief Executive Officer, Treasurer, and Secretary, and if desired, a Vice President and a Controller. Other officers may be appointed, as the Board may deem advisable. Officers are elected annually by the Board.

The following is a list of officers who were serving at December 31, 2008:

<u>Name</u>	<u>Office(s)</u>
Allen J. Exelby	Chief Executive Officer
Carl R. Samson	President
Frank A. Melchior	Senior Vice President
Richard A. Lawrence	Vice President, Treasurer
Edmond R. Browne	Secretary

Corporate Records

A review of the Company's corporate minutes indicated that transactions and events were adequately approved and supported. The Board's review and approval of the previous examination report was duly noted and documented in its minutes.

Policy on Conflicts of Interest

The Company maintains a program for the disclosure of conflicts of interest. Each year members of the Board and managerial staff are required to complete a formal questionnaire to disclose any act or outside affiliation that is likely to conflict with that individual's official duties with NJTIC.

A review performed during this examination revealed that all directors and officers of the Company have up-to-date executed conflict of interest statements on file. No material conflicts were noted.

Dividends to Stockholders

The Company did not pay any dividends to stockholders during the examination period. Pursuant to a Memorandum of Understanding with the Department dated October 24, 2003, the Company may not pay stockholder dividends without obtaining prior written approval from the NJDOBI.

ACCOUNTS AND RECORDS

The Company uses Great Plains software for the general ledger, accounts payable, and receivables accounting functions. The Company uses FSI software for statement generation. Paycheck processes the payroll, is controlled through the personnel department at CATIC-Financial. Entries are made to the systems in batches.

Cash receipts from title operations and all other incoming receipts are entered on a manual basis using the Great Plains software package. Agencies maintain premium files and regularly send remittance reports to the Company.

Cash disbursements are fully automated. The CEO, COO, General Council, and Associate General are authorized check signers. Checks over \$25,000 require two signatures.

The accounting books and records are maintained in the main office by the Corporate Accounting Department. Investments are maintained by an outside investment agent, Prime Advisors.

EMPLOYEE WELFARE AND BENEFIT PLANS

New Jersey Title, through the holding company system, participates in a qualified defined-contribution 401(k) plan sponsored by CATIC-Financial. Contributions are on a salary deferral and employee rollover basis. Once all eligibility requirements are satisfied, the plan allows employees to choose between pre-tax or Roth deferrals, with deductions following a salary deferral arrangement established by the plan's administrator not to exceed a total limit as established by law. Moreover, the plan contains both a matching and discretionary profit-sharing feature. Yearly matching contributions equal 100% of the first 3% plus 50% of the next 3% of compensation deferred, up to 6% compensation.

The Company also offers a defined-benefit retirement plan, which is only open to employees hired on or before July 31, 1993. Subsequent to this date, service accruals for all active participants have remained frozen.

In addition to the retirement plans, the Company also provides the following benefits:

Medical, Vision, Dental & Prescription Drug Plan
 Life Insurance and Accidental Death and Dismemberment
 Long Term Disability
 Short Term Disability
 Salary Continuation

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The following is a summary of the Company's insurance program:

<u>COVERAGE</u>	<u>LIMITATIONS</u>
Commercial General Liability	\$1,000,000 Each occurrence \$1,000,000 Damage to rented premises \$10,000 Medical expense, any one person \$1,000,000 Personal injury \$2,000,000 General Aggregate
Automobile Liability	\$1,000,000 Combined single limit, each accident, any auto, hired autos, and non-owned autos
Excess/Umbrella Liability	\$5,000,000 Each occurrence, aggregate, retention \$ 10,000
Workers Compensation and Employers' Liability	\$100,000 Each accident, disease each employee \$500,000 Disease policy limit Statutory limits
Property	\$ 6,245,000 Blanket building and contents, special form replacement costs
Financial Institution Bond	\$1,000,000 Basic bond coverage, forgery or alteration, securities \$50,000 Single loss deductible

A review of the NAIC requirement guidelines for minimum amount of fidelity insurance indicated that the Company is adequately protected.

REINSURANCE

New Jersey Title does not assume reinsurance. The Company has one joint ceding automatic reinsurance treaty with Old Republic National Title Insurance Company ("ORNTIC") and CATIC. The agreement was signed and executed April 2008. Both CATIC and ORNTIC do business in New Jersey. CATIC is a fully licensed insurance carrier in the State of New Jersey

The NJTIC retains a primary liability of \$3,000,000. CATIC accepts as reinsurance for 30% of the Ultimate Net Loss over \$3.0 millions subject to a limit of liability of \$9.9 million plus a proportionate share of the Allocated Loss Adjustment Expenses.

ORNTIC accepts as reinsurance 70% of the Ultimate Net Loss over and above \$3.0 million subject to a maximum liability of \$23.1 million and proportionate share of all Allocated Loss Adjustment Expenses.

ORNTIC accepts as reinsurance 100% of the Ultimate Net Loss over and above \$36.0 million subject to a limit of liability of \$50.0 million plus a proportionate share of the Allocated Loss Adjustment Expenses.

The Company's net retained liability as defined by N.J.S.A. 17:46B-19 exceeded \$10.0 million as of December 31, 2008. The Company does not insure risks exceeding \$3.0 million well below the Company's retained liability.

CONTINUITY OF OPERATIONS

New Jersey Title Insurance Company published its first official Disaster Recovery plan (Integrated Computer Systems Disaster Recovery Plan) on October 18, 2004. This plan was subsequently updated on June 18, 2007. This updated plan includes backup procedures, failover precautions on back files, disaster recovery contracts, antivirus support and alternate location in order to main the stability and continuity of the Company's operations in the event of a man-made or natural disaster.

There is also an updated section called the Network and Audit and Analysis, which primary focus in order to provide a plan to respond to a disaster that destroys or severely cripples the Company's computer systems. The intent is to restore operations as quickly as possible with the latest and most up- to date data available.

Subsequent to the examination, the Company prepared a Business Continuity/Disaster Recovery plan. The plan was updated only once since its creation. The plan appears adequate for the purpose. No documentation was presented to support that a test or tests of this plan were conducted.

It is hereby recommended that the Company regularly update its Business Continuity/Disaster Recovery plan and that it conduct regular tests and keep records of the outcome of the tests.

FINANCIAL STATEMENTS

Financial statements and other exhibits are presented as listed below:

- | | |
|-------------|--|
| Exhibit - A | Statement of Financial Position
as of December 31, 2008 |
| Exhibit - B | Statement of Operating Results
for the Five-Year Period ended December 31, 2008 |
| Exhibit - C | Capital and Surplus Account
for the Five-Year Period ended December 31, 2008 |

EXHIBIT A

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2008

	<u>Balance</u> per Examination <u>@ 12/31/08</u>	<u>Balance</u> per Company <u>@ 12/31/08</u>	<u>Note</u>
<u>ASSETS</u>			
Bonds	\$ 5,574,523	\$ 5,574,523	1
Cash and Short Term Investments	1,108,320	1,108,320	2
Title Plants	503,913	503,913	
Investment Income Due and Accrued	39,480	39,480	
Uncollected Premiums and Agents' Balances	225,481	225,481	
Federal and Foreign Income Tax Recoverable	126,370	126,370	
Net Deferred Tax Asset	122,909	122,909	
EDP Equipment and Software	12,876	12,876	
Receivable from PSA	4,000,000	4,000,000	3
Total Admitted Assets	\$ 11,713,872	\$ 11,713,872	
<u>LIABILITIES</u>			
Known Claims Reserve	\$ 1,833,493	\$ 1,833,493	4
Statutory Premium Reserve	4,576,782	4,576,782	4
Other Expenses (excl. taxes, licenses, and fees)	186,984	186,984	
Taxes, Licenses and Fees	55,704	55,704	5
Advance Premiums	14,940	14,940	
Payable to PSA	6,086	6,086	
Total Liabilities	\$ 6,673,989	\$ 6,673,989	
<u>CAPITAL AND SURPLUS</u>			
Common Capital Stock	\$ 500,000	\$ 500,000	6
Surplus Notes	5,500,000	5,500,000	6
Gross Paid-in and Contributed Surplus	3,386,801	3,386,801	6
Unassigned Funds (surplus)	(4,346,918)	(4,346,918)	6
Surplus as Regards Policyholders	\$ 5,039,883	\$ 5,039,883	
Total Liabilities, Capital and Surplus	\$ 11,713,872	\$ 11,713,872	

EXHIBIT B

STATEMENT OF OPERATING RESULTS FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>UNDERWRITING INCOME</u>					
Premiums Earned	\$ 16,609,225	\$ 20,834,237	\$ 18,401,058	\$ 16,799,332	\$ 12,747,781
Escrow and Settlement Services	9,435	3,124	81	-0-	-0-
Other Title Fees and Service Charges	494,047	663,926	516,320	531,506	401,926
Agg. Write-ins: Other Operating Income	1,772	35,442	-0-	-0-	-0-
Total Operating Income	<u>17,114,479</u>	<u>21,536,729</u>	<u>18,917,459</u>	<u>17,330,838</u>	<u>13,149,707</u>
Deductions:					
Losses and Loss Adjustment Expenses	962,936	596,889	796,204	1,216,094	3,880,627
Operating Expenses Incurred	<u>16,408,285</u>	<u>20,852,125</u>	<u>18,416,289</u>	<u>17,322,234</u>	<u>13,220,291</u>
Total Underwriting Deductions	<u>17,371,221</u>	<u>21,449,014</u>	<u>19,212,493</u>	<u>18,538,328</u>	<u>17,100,918</u>
Net Underwriting Gain or (Loss)	<u>\$ (256,742)</u>	<u>\$ 87,715</u>	<u>\$ (295,034)</u>	<u>\$ (1,207,490)</u>	<u>\$ (3,951,211)</u>
<u>INVESTMENT INCOME</u>					
Net Investment Income Earned	417,325	430,711	478,432	374,044	332,947
Net Realized Capital Gains/(Losses)	<u>53,781</u>	<u>-0-</u>	<u>13,648</u>	<u>25,114</u>	<u>(45,860)</u>
Net Investment Gain or (Loss)	<u>\$ 471,106</u>	<u>\$ 430,711</u>	<u>\$ 492,080</u>	<u>\$ 399,158</u>	<u>\$ 287,087</u>
<u>OTHER INCOME</u>					
Aggregate Write-ins for					
Miscellaneous Income	<u>-0-</u>	<u>-0-</u>	<u>(25,800)</u>	<u>-0-</u>	<u>-0-</u>
Total Other Income	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (25,800)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Dividends to Policyholders	-0-	-0-	-0-	-0-	-0-
Federal Income Taxes Incurred	-0-	-0-	-0-	(402,813)	(246,735)
Net Income	<u>\$ 214,364</u>	<u>\$ 518,426</u>	<u>\$ 171,246</u>	<u>\$ (405,519)</u>	<u>\$ (3,417,389)</u>

EXHIBIT C

CAPITAL AND SURPLUS ACCOUNT FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Surplus as Regards Policyholders December 31, Previous Year	<u>\$ 4,759,446</u>	<u>\$ 4,689,021</u>	<u>\$ 5,043,069</u>	<u>\$ 5,203,801</u>	<u>\$ 4,846,327</u>
Net Income	214,364	518,426	171,246	(405,519)	(3,417,389)
Change in Net Deferred Tax	-0-	-0-	93,422	158,793	(129,306)
Change in Non-admitted Assets	15,211	35,622	(103,936)	(110,747)	(259,749)
Change in Surplus Notes	(300,000)	(200,000)	-0-	-0-	4,000,000
Capital Changes: Paid in	-0-	-0-	-0-	-0-	6,801
Suplus Adjustment: Paid in	-0-	-0-	-0-	-0-	(6,801)
Total Adjustments	<u>\$ (284,789)</u>	<u>\$ (164,378)</u>	<u>\$ (10,515)</u>	<u>\$ 48,046</u>	<u>\$ 3,610,945</u>
Change in Surplus for the Year	\$ (70,425)	\$ 354,048	\$ 160,732	\$ (357,474)	\$ 193,556
Surplus as Regards Policyholders Decemebr 31, Current Year	<u><u>\$ 4,689,021</u></u>	<u><u>\$ 5,043,069</u></u>	<u><u>\$ 5,203,801</u></u>	<u><u>\$ 4,846,327</u></u>	<u><u>\$ 5,039,883</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Bonds

The Company reported bonds in the amount of \$5,574,523 at December 31, 2008. The Company's Independent Certified Accountants confirmed the investments directly with the custodian.

Note 2 - Cash and Short-term Investments

At December 31, 2008, cash and short-term investments reported by the Company amounted to \$126,081 and \$982,239, respectively, for a total of \$1,108,320. Deposits were confirmed via verification of audit work conducted by the Company's independent auditors.

In addition, the Company held \$412,070 and \$16,394 in trust accounts (Commerce and Bank of America, respectively), for a total of \$428,464. These amounts were not reported in the front part of the financial statements but were disclosed in Schedule E - Part 1A. The Schedule, however, does not list **Bank of America** and there is a difference of \$102,445 when compared to the confirmations (annual statement side is overstated). The Company also did not supply information in the "Notes to Financial Statements," an exception recurring as of the last two previous exams.

It is again recommended that the Company fully disclose all segregated funds held for others in the "Notes to Financial Statements" section of the annual statement, as well as a description of the nature of the assets and related fiduciary responsibilities associated with such assets in compliance with **SSAP No. 1**, paragraph 17 (*Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures*) subject to the guidance provided in **Issue Paper No. 57**, paragraph 19, and the annual statement instructions manual.

Note 3 - Receivables from Parent, Subsidiaries, and Affiliates

At December 31, 2008, the Company accrued a receivable of \$4.0 million representing a commitment by CATIC-Financial to purchase a new issuance of subordinated debentures consisting of forty surplus notes as part of an effort to recapitalize the Company. Conversion of the receivable occurred on March 2, 2009, when CATIC-Financial honored the commitment to purchase the certificate issues. The notes are further covered in Note 6 'Capital and Surplus' below.

Note 4 - Known Claims Reserve

The Known Claim Reserve as reported by the Company amounted to \$1,833,493 at December 31, 2008. A review was made of claim files and loss payments which supported the loss liabilities and expenses as reported in the annual statement. The annual statement's Schedule P was reconciled to the Company's actuarial triangles. Reserves were calculated in accordance with the NAIC reserve requirements. A haphazard sample of known claims reserves were selected and traced to actual claim files and to the Company's automated claims management system for verification of certain underlying claim attributes with no material exceptions noted. The combined net known loss and loss adjustment expenses represented 27.47 % of the Company's liabilities.

The Department's Property and Casualty Actuarial Unit and the Company's actuarial consulting firm Milliman, Inc. performed a complete actuarial analysis of loss and LAE reserve established by the Company. The data provided was net of reinsurance. These reviews indicated that this liability was reasonably stated. The liability reported by the Company, therefore, has been accepted for the purpose of this examination.

Note 5 - Taxes, Licenses, and Fees

It was noted that the Company did not accrue for NJDOBI examination fees in the year prior to the commencement of the financial condition examination. This is an exception recurring as of the last exam date.

It is therefore again recommended that the Company make provisions for the accrual of NJDOBI examination costs in anticipation of forthcoming audits, in conformity with the requirements of **SSAP No. 5** (*Liabilities, Contingencies and Impairments of Assets*), while taking a conservative approach in their estimation.

Note 6 - Capital and Surplus

Capital Stock

The outstanding stock of the Company at December 31, 2008, consisted of 375,000 shares of common stock with a par value of one dollar and thirty-three cents (\$1.33 1/3) per share for a total capital of \$500,000.

Surplus Notes

At December 31, 2008, the Company owned fifty-five (55) contribution certificates carrying a total amount of \$5,500,000, consisting of the following:

- Fifteen (15) \$100,000 5% notes issued to Edge Partners, LLC, the former parent company. The notes are guaranteed by CATIC-Financial and were originally due December 31, 2008, but as part of an agreement established at the time of CATIC-Financial's acquisition of the Company, the maturity date was modified to include a 120-day grace period extension. The consequent settlement of these notes is further covered below under the subject title '*Subsequent Events*.'
- Forty (40) \$100,000 6% notes in the form of a receivable as detailed in Note 2 above under the caption '*Receivables from PSA*.' Each note is for a ten-year term period with a due date of February 1, 2019. The notes do not begin to accrue interest until the month of March 2, 2009, the date of their issue and funding, and are payable biannually on the first and seventh month of the year subject to the prior approval of the Department. For the first half of the period, the Company accrued a total of \$81,067, which was approved for payment on July 8, 2009.

Gross Paid-in and Contributed Surplus

The Gross Paid-in and Contributed Surplus reported by the Company at December 31, 2008, totaled \$3,386,801, which is \$6,801 more than the previous examination.

Unassigned Funds

Total Unassigned Funds, as per the examination review, yielded a negative amount of \$(4,346,918), which is \$3,226,363 less than the amount reported in the last examination.

Surplus as Regards Policyholders

The cumulative changes in capital and surplus during the five-year examination period is reflected and summarized below:

Capital and Surplus, December 31, 2003	\$ 4,759,446
Net Income or (Loss)	(2,918,872)
Change in Net Deferred Income Tax	122,908
Change in Non-Admitted Assets	(423,599)
Change in Surplus Notes	<u>3,500,000</u>
Net Adjustments During Five-Year Period	<u>280,437</u>
Capital and Surplus, December 31, 2008	<u>\$ 5,039,883</u>

The Company meets the statutorily required minimum capital and surplus benchmark of \$750,000, an excess of \$4,289,883.

SUBSEQUENT EVENTS

▪ Surplus Notes

The full principal amount owed to the former parent Edge Partners, LLC, in the amount of \$1.5 million, plus accrued interest of \$75,000, was approved for re-payment by the Department on February 26, 2009, and finally discharged on April 29, 2009.

It was noted, however, upon review of the settlement, that the Company was not in compliance with **SSAP No. 41**, paragraph 6, which requires the reclassification of the approved payment from surplus to liabilities as of the date of approval. The quarterly financial statement as of March 31, 2009, shows the principal still classified under the surplus account even though an approval was given thirty-three days earlier. It is therefore recommended that in the future the Company reclassify the principal amount of contribution certificates from surplus to liabilities upon receipt of an approval for payment from the Department, in accordance with **SSAP No. 41**, paragraph 6.

The receivable of \$4.0 million due from CATIC-Financial was funded on March 2, 2009, when the parent honored the commitment to purchase the newly issued surplus certificates detailed in Note 2 above.

▪ Inter-Company Agreement

On November 10, 2008, the Company filed a Form D creating a Professional Service agreement with the parent company for the provision of claims processing and financial reporting services, which was non-disapproved on January 29, 2009. Subsequently on November 11, 2009, the Company again submitted a Form D establishing a cost-sharing and service agreement with CATIC-Financial changing the monthly fee from \$2,605

to \$4,852, based on a non-formula estimate. The Department non-disapproved the agreement on November 25, 2009.

SUMMARY OF RECOMMENDATIONS

Compliance with Prior Examination Report Recommendations

- p. 17** Cash and Short-term Investments. It was recommended in the last two examinations and again is reiterated that the Company fully disclose all segregated funds held for others in the "Notes to the Financial Statements" section of the annual statement, as well as a description of the nature of the assets and related fiduciary responsibilities associated with such assets in compliance with **SSAP No. 1**, paragraph 17 (*Disclosure of Accounting Policies, Risks & Uncertainties, and Other Disclosures*) subject to the guidance provided in **Issue Paper No. 57**, paragraph 19, and the annual statement instructions manual.
- p. 18** Taxes, Licenses, and Fees. It was recommended in the last examination and again is reiterated that the Company make provisions for the accrual of NJDOBI examination costs in anticipation of forthcoming audits, in conformity with the requirements of **SSAP No. 5** (*Liabilities, Contingencies and Impairments of Assets*), while taking a conservative approach in their estimation.

Company History

- p. 5** It is recommended that the Company execute a certificate of amendment and modify the Articles of Incorporation to reflect NJTIC's new statutory address.

Continuity of Operations

- p. 12** It is recommended that the Company regularly update its Business Continuity/Disaster Recovery plan and that it conduct regular tests and keep records of the outcome of the tests.

Subsequent Events

- p. 19** Surplus Notes. It is recommended that in the future the Company reclassify the principal amount of contribution certificates from surplus to liabilities upon receipt of an approval for payment from the Department, in accordance with **SSAP No. 41**, paragraph 6.

KNOWN CLAIMS RESERVE
STATEMENT BY NJDOBI ACTUARY

I, Boris Privman, FCAS, MAAA, Managing Property and Casualty Actuary for the NJDOBI, have performed an actuarial review of the reported December 31, 2008, known claims reserves for the New Jersey Title Insurance Company.

Actuarial findings as stated above and in this examination report are the sole responsibility of the NJDOBI's Property and Casualty Actuarial Unit of the Office of Solvency Regulation.

_____/S/_____
Boris Privman
Managing Actuary

CONCLUSION

This statutory financial condition examination was conducted by the undersigned with the support of the Department's field and office staff, at the Company's home office located at 400 Lanidex Plaza, Parsippany, NJ 07054.

The courteous assistance and cooperation of the Company's officers, employees and certified public accounting firm is acknowledged.

Respectfully submitted,

_____/S/_____
Allen L. Abbott
Examiner-in-Charge
Department of Banking and Insurance
State of New Jersey

NEW JERSEY TITLE INSURANCE COMPANY

I, Allen L. Abbott, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2008, to the best of my information, knowledge, and belief.

Respectfully submitted,

_____/S/_____

Allen L. Abbott
Insurance Examiner I
Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Allen L. Abbott, on this 2nd day of June, 2010.

_____/S/_____

Sheila M. Tkacs
Notary Public of New Jersey

My commission expires: July 2010